CISCO SYSTEMS NDQ-CSCO

RECENT PRICE **29.07** | P/E RATIO **12.5** (Trailing: 12.5 Median: 15.0) | RELATIVE P/E RATIO **0.67** | DIV'D YLD **3.6%** | **VALUE LINE**

TIMELINESS 3 Lowered 12/26/14

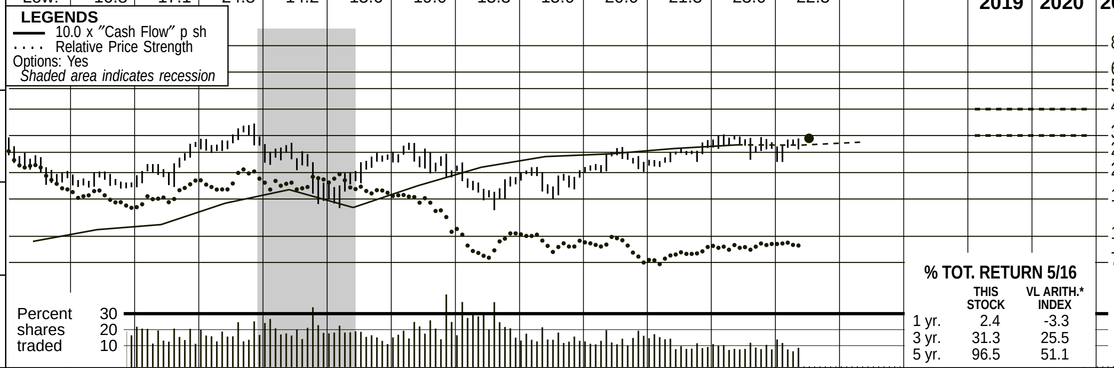
SAFETY 2 Lowered 9/19/14

TECHNICAL 3 Lowered 6/17/16

BETA 1.10 (1.00 = Market)

High:	20.3	28.0	34.2	27.7	24.8	27.7	22.3	21.3	26.5	28.6	30.3	29.4
Low:	16.8	17.1	24.8	14.2	13.6	19.0	13.3	15.0	20.0	21.3	23.0	22.5

LEGENDS
— 10.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



Target Price Range
2019 | 2020 | 2021

2019-21 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+40%)	*11%*
Low	30	(+5%)	*5%*

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	1	9	5	9	0	0	0	2	0
to Sell	3	2	5	3	1	0	0	5	0

Institutional Decisions

	3Q2015	4Q2015	1Q2016
to Buy	802	850	890
to Sell	731	734	738
Hld's(000)	3864752	3843533	3859799

Percent shares traded 30 20 10

% TOT. RETURN 5/16

	THIS STOCK	VL ARITH.* INDEX
1 yr.	2.4	-3.3
3 yr.	31.3	25.5
5 yr.	96.5	51.1

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
2.65	3.04	2.59	2.70	3.31	3.95	4.70	5.73	6.71	6.24	7.08	7.95	8.69	9.02	9.23	9.67	*9.65*	*10.05*	Revenues per sh A	*12.40*
.65	.41	.54	.77	.95	1.08	1.13	1.43	1.66	1.37	1.73	2.12	2.38	2.45	2.60	2.71	*2.70*	*2.80*	"Cash Flow" per sh	*3.55*
.53	.26	.39	.59	.76	.87	.89	1.17	1.31	1.05	1.33	1.62	1.85	2.02	2.06	2.21	*2.30*	*2.40*	Earnings per sh B	*3.00*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.12	.28	.62	.72	.80	*.94*	*1.08*	Div'ds Decl'd per sh E	*1.30*
.15	.31	.36	.10	.09	.11	.13	.21	.22	.17	.18	.22	.21	.22	.25	.24	*.25*	*.25*	Cap'l Spending per sh	*.25*
3.71	3.70	3.92	4.01	3.88	3.69	3.95	5.16	5.83	6.68	7.83	8.69	9.68	10.97	11.09	11.74	*12.70*	*13.80*	Book Value per sh	*15.10*
7138.0	7324.0	7303.0	6998.0	6650.4	6274.7	6059.0	6100.0	5893.0	5785.0	5655.0	5435.0	5298.0	5389.0	5107.0	5085.0	*5070.0*	*5000.0*	Common Shs Outst'g C	*4800.0*
99.7	NMF	42.4	24.3	29.6	21.6	21.3	22.0	20.6	17.7	17.9	11.9	9.7	10.3	11.3	12.3	*Bold figures are*		Avg Ann'l P/E Ratio	*12.0*
6.48	NMF	2.32	1.39	1.56	1.15	1.15	1.17	1.24	1.18	1.14	.75	.62	.58	.59	.62	*Value Line*		Relative P/E Ratio	*.75*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	.6%	1.6%	3.0%	3.1%	2.9%	*estimates*		Avg Ann'l Div'd Yield	*3.6%*
						28484	34922	39540	36117	40040	43218	46061	48607	47142	49161	*48800*	*50250*	Revenues ($mill) A	*59500*
						29.1%	28.7%	28.3%	25.2%	28.0%	32.0%	33.3%	31.0%	31.4%	31.6%	*31.5%*	*32.0%*	Operating Margin	*32.0%*
						1293.0	1413.0	1744.0	1768.0	2030.0	2486.0	2602.0	2351.0	2432.0	2442.0	*2000*	*2100*	Depreciation ($mill)	*2750*
						5580.0	7333.0	8052.0	6134.0	7767.0	9033.0	10017	10866	10863	11354	*11700*	*11950*	Net Profit ($mill)	*14400*
						26.9%	22.5%	21.5%	20.3%	17.5%	21.3%	21.9%	20.8%	20.8%	21.7%	*22.0%*	*22.0%*	Income Tax Rate	*22.0%*
						19.6%	21.0%	20.4%	17.0%	19.4%	20.9%	21.7%	22.4%	23.0%	23.1%	*24.0%*	*23.9%*	Net Profit Margin	*24.2%*
						14363	18216	21841	30522	32188	39725	44202	43329	47305	52660	*52000*	*51850*	Working Cap'l ($mill)	*49550*
						6332.0	6408.0	6393.0	10295	12188	16234	16297	12928	20401	21457	*21000*	*19500*	Long-Term Debt ($mill)	*17500*
						23912	31480	34353	38647	44267	47226	51286	59120	56654	59698	*64390*	*69000*	Shr. Equity ($mill)	*72500*
						18.7%	19.9%	20.2%	12.9%	14.3%	14.7%	15.3%	15.5%	14.5%	14.3%	*13.5%*	*13.5%*	Return on Total Cap'l	*16.0%*
						23.3%	23.3%	23.4%	15.9%	17.5%	19.1%	19.5%	18.4%	19.2%	19.0%	*18.0%*	*17.5%*	Return on Shr. Equity	*20.0%*
						23.3%	23.3%	23.4%	15.9%	17.5%	17.7%	16.6%	12.8%	12.5%	12.2%	*10.5%*	*9.5%*	Retained to Com Eq	*11.5%*
						- -	- -	- -	- -	- -	7%	15%	30%	35%	36%	*41%*	*45%*	All Div'ds to Net Prof	*43%*

CAPITAL STRUCTURE as of 4/30/16

Total Debt $28.6 bill. **Due in 5 years** $18.8 bill.
LT Debt $24.4 bill. **LT Interest** $660 mill.
(28% of Cap'l)
Leases, Uncapitalized Annual rentals $346 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 5,029,711,978 shs.
as of 5/19/16
MARKET CAP: $146 billion (Large Cap)

CURRENT POSITION ($MILL.)	2014	2015	4/30/16
Cash Assets D	52074	60416	63512
Receivables	5157	5344	4047
Inventory (FIFO)	1591	1627	1343
Other	8292	8896	9669
Current Assets	67114	76283	78571
Accts Payable	1032	1104	1007
Debt Due	508	3897	4164
Other	18269	18622	18832
Current Liab.	19809	23623	24003

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 to '19-'21
Revenues	11.0%	7.0%	*5.0%*
"Cash Flow"	11.0%	10.5%	*5.5%*
Earnings	11.0%	11.5%	*6.0%*
Dividends	- -	- -	*10.5%*
Book Value	11.5%	10.5%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2013	11876	12098	12216	12417	48607
2014	12085	11155	11545	12357	47142
2015	12245	11936	12137	12843	49161
2016	12682	11927	12000	*12191*	*48800*
2017	*12500*	*12260*	*12500*	*12990*	*50250*

Fiscal Year Ends	EARNINGS PER SHARE AB Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2013	.48	.51	.51	.52	2.02
2014	.53	.47	.51	.55	2.06
2015	.54	.53	.54	.59	2.21
2016	.59	.57	.57	*.57*	*2.30*
2017	*.60*	*.59*	*.58*	*.63*	*2.40*

Cal-endar	QUARTERLY DIVIDENDS PAID E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.06	.08	.08	.28	.50
2013	- -	.17	.17	.17	.51
2014	.17	.19	.38	- -	.74
2015	.40	- -	.21	.21	.82
2016	.21	.26			

BUSINESS: Cisco Systems, Inc. is a leading provider of Internet Protocol-based networking and other products for transporting data, voice, and video across geographically dispersed local-area-networks, metropolitan-area networks, and wide-area networks. Devices are primarily integrated by Cisco IOS Software and include Routers, Switches, New Products, and Other. Provides services associated with these products. Foreign business accounted for 68.1% of 2015 earnings. R&D, 13.5% of revenues. Has about 75,049 employees. Officers/Directors hold less than 1.0% of stock; BlackRock, 6.1%, Vanguard, 5.5%. (9/15 proxy). Chrmn. & CEO: Chuck Robbins. Inc.: CA. Address: 170 W. Tasman Drive, San Jose, CA 95134-1706. Tele.: 408-526-4000. Web: www.cisco.com.

Cisco Systems posted solid results for the April quarter. Earnings per share came in at $0.57, two cents above our estimate and 5.5% above the prior year's tally. Revenues of $12 billion matched our estimate and fell 1% year over year (rose 3% excluding the divested set-top box unit). Product sales advanced 1% and service revenues increased 11% (4% normalized for an extra week in the period). Orders were up 3% and the book-to-bill ratio was above one. The standout metric was the gross margin of 65.2%, with 64.5% for products and 67.1% for services. The combined result was well ahead of the 62.5%-63.5% guidance range and the best showing since 2010. More efficient engineering, fewer price concessions, and improved freight and inventory management all contributed to the positive result. Management now expects this highly-scrutinized ratio to stay in the 63%-64% range. Guidance for July-quarter revenues and earnings is flat to up 3%.

Macroeconomic uncertainty has created a cautious spending environment. Router sales were 5% lower than last year, owing mostly to service providers becoming more conservative with capital expenditures of late. Sales to Web 2.0 clients have offset this somewhat, rising 31% in the quarter. Meanwhile, the largest unit by sales, Switching, saw its top line fall 3%, as some campus customers are delaying network upgrades. Overall, enterprise business fell 2%, commercial grew 8%, public sector was up 6%, and service provider sales were flat.

Concern over "white box" switches has faded somewhat. There has been no sign of generic low-cost devices disrupting Cisco's switching business. Cisco's ability to meet customers' desire for cost-efficient data center automation appears to be preventing them from transitioning to unbraded products. The company plans to evolve its offerings along with the technology transition in order to stay relevant.

Conservative income types should look here. Cisco is doing well in areas it can control, and seems positioned to take advantage of upcoming technology transitions. However, a weak demand environment will likely keep this industry bellwether under pressure for now.

Kevin Downing *June 17, 2016*

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Excludes nonrecurring items: '00, (17¢); '01, (38¢); '02, (14¢); '03, (9¢); '04, (14¢). '01 includes $0.15 inventory writeoff. May not sum due to rounding. Next egs. report due mid-August. GAAP egs. prior to 2011, pro-forma thereafter. (C) In millions, adjusted for stock splits. (D) Long- and short-term investments in current assets beginning in fiscal 2006. (E) Dividend commenced March 29, 2011, paid in late Jan., April, July, and Oct.

Company's Financial Strength	A++
Stock's Price Stability	70
Price Growth Persistence	30
Earnings Predictability	90